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and Relief Defendant CJ Investments, LLC*

**UNITED STATES DISTRICT COURT
DISTRICT OF NEVADA**

SECURITIES AND EXCHANGE
COMMISSION,

CASE NO.: 2:22-cv-00612

Plaintiff,

V.

MATTHEW WADE BEASLEY; BEASLEY LAW GROUP PC; JEFFREY J. JUDD; CHRISTOPHER R. HUMPHRIES; J&J CONSULTING SERVICES, INC., an Alaska Corporation; J&J CONSULTING SERVICE, INC., a Nevada Corporation; J AND J PURCHASING, LLC; SHANE M. JAGER; JASON M. JONEGARD; DENNY SEYBERT; and RONALD TANNER,

Defendants,

THE JUDD IRREVOCABLE TRUST; PAJ CONSULTING INC; BJ HOLDINGS LLC; STIRLING CONSULTING, L.L.C.; CJ INVESTMENTS, LLC; JL2 INVESTMENTS, LLC; ROCKING HORSE PROPERTIES, LLC; TRIPLE THREAT BASKETBALL, LLC; ACAC LLC; ANTHONY MICHAEL ALBERTO, JR.; and MONTY CREW LLC;

Relief Defendants

**DEFENDANT CHRISTOPHER
HUMPHRIES AND RELIEF
DEFENDANT CJ INVESTMENTS,
LLC'S MOTION TO DISMISS THE
SECURITIES AND EXCHANGE
COMMISION'S COMPLAINT**

1 Defendant Christopher R. Humphries (“Chris” or “Mr. Humphries”), and Relief
2 Defendant CJ Investments, LLC, by and through Peter S. Christiansen, Esq., and Kendelee L.
3 Works, Esq., of Christiansen Trial Lawyers, their Counsel of Record, hereby move to dismiss the
4 Securities and Exchange Commission’s Complaint against them. The SEC’s Complaint fails to
5 meet the heightened standard for pleading fraud based securities violations and thus, must be
6 dismissed.

MEMORANDUM OF POINTS AND AUTHORITIES

I. Relevant Factual Allegations and Procedural History

9 This action arises from allegations that Mr. Humphries, along with the other Defendants,
10 engaged in a “long-running fraudulent offering of securities.”¹ Compl. at ¶ 1. The SEC generally
11 lumps Mr. Humphries into its five fraud based claims for relief asserting: 1) Violations of Section
12 5(a) and (c) of the Securities Act [15 U.S.C. § 77e(a) and (c)]; 2) Violations of Section 17(a) of
13 the Securities Act [15 U.S.C. § 77q(a)(1)]; 3) Violations of Section 10(b) of the Exchange Act [15
14 U.S.C. § 78j(b)] and Exchange Act Rule 10b-5[17 C.F.R. § 240.10B-5]; and 4) Violations of
15 Sections 15(a)(1) of the Exchange Act [15 U.S.C. § 78o(a)(1)]; and 5) Equitable Disgorgement.

16 On March 3, 2022, the FBI executed search warrants at the residences of Matthew
17 Beasley, Esq., Jeffrey Judd and Chris and Jessica Humphries. Compl. at ¶ 3. In relevant part, the
18 FBI sought records of securities or investment contracts marketed, sold or contemplated to be
19 marketed or sold by Judd, Humphries, J&J Consulting, J&J Investments, J&J Purchasing
20 (collectively J&J’). Both Chris and Jessica Humphries were present at the time of the execution
21 of a warrant at their home in Huntington Beach, California. Unlike Mr. Beasley who engaged in
22 a violent hours-long stand-off with the FBI, the Humphries were cooperative and compliant with
23 law enforcement. *See generally id.* At the time of that search, both Chris and Jessica Humphries

26 ¹ Defendant Humphries further asserts that the transactions at issue do not constitute the
27 exchange of any “security.” However, this motion is limited solely to the SEC’s complete
28 failure to meet the particularized pleading required to state a claim for fraud and/or claims that
are derived from an alleged fraudulent scheme.

1 had their iPhones and laptops seized. Mr. Humphries has not been charged criminally but
2 understands the investigation remains ongoing.

3 Despite the ongoing parallel criminal investigation, search and seizure of so-called
4 evidence, the SEC's Complaint herein demonstrates a paucity of factual allegations specific to
5 Mr. Humphries. Although it is alleged that he "personally promoted the 'purchase agreement'"
6 investment scheme to multiple investors," the Complaint is devoid of any allegation identifying
7 any of the "multiple investors," and specifies only a broad range of 5 years in which the SEC
8 contends the "fraudulent scheme" occurred. *See generally* Compl. on file herein; *see also* Compl.
9 at ¶¶ 15, 28, 35, 40-42, 48, 56, 63. While the SEC alleges that in 2020, Mr. Humphries told "at
10 least one investor," how much he personally made each month and that he made five percent
11 commissions on investments he solicited, nowhere in the Complaint is this "one investor"
12 identified, nor is the specific date time, manner or place in which the purported communication
13 occurred. *Id.* at ¶ 63.

14 By contrast, the SEC is far more specific as to Defendants Judd and Beasley's alleged
15 fraudulent representations and conduct. *See generally* *id.* at ¶¶ 35-39, 44-47. As to Mr.
16 Humphries' knowledge of any fraud, the SEC asserts generally, "Upon information and belief,
17 Humphries also knew or was reckless in not knowing that the purchase agreement investment
18 scheme was a fraud. Upon information and belief, Humphries was at least aware of indicia that
19 tort settlements at issue in the investment were fictitious and acted to hide that fact from
20 investors." *Id.* at ¶ 55. Meanwhile, the SEC makes detailed assertions as to both Judd and
21 Beasley's knowledge that the scheme was a fraud. *Id.* at ¶¶ 51-54. Tellingly however, the SEC
22 is silent as to the basis for the contention, made upon "information and belief," that Mr.
23 Humphries knew or was reckless in not knowing the purchase agreement investment "scheme"
24 was a fraud. *See generally* *id.*; *See also* ¶¶ 51-54.

25 **II. Legal Argument**

26 **A. The SEC Fails to Plead Fraud With Particularity as to Mr. Humphries**

27 The Amended Complaint should be dismissed because as to Mr. Humphries, the SEC has
28 failed to plead fraud with particularity as required by Rule 9(b). "Rule 9(b)'s heightened pleading

1 requirements apply to allegations of securities fraud" and require the SEC to "set out the who,
 2 what, when, where, and how of the alleged fraud...." *S.E.C. v. Kameli*, 373 F. Supp. 3d 1194,
 3 1201, 1204 (N.D. Ill. 2019) (citations omitted)(finding that although SEC need not plead the date,
 4 time, sender, recipient and content of every securities transcation, it was required to, "make clear
 5 exactly which of the eight years of communications form the basis of its fraud allegations and
 6 must differentiate among the defendants sufficiently to give each defendant fair notice of their
 7 alleged role."). A complaint that attributes misrepresentations to all defendants and lumps
 8 defendants together for pleading purposes is insufficient to satisfy Rule 9(b). *Id.* at 1201.

9 Here, the SEC fails to allege facts sufficient to place Mr. Humphries on notice of the basis
 10 for its fraud allegations, *i.e.*, the "who," "what," "when," and "where," required by Rule 9(b).
 11 Indeed, the SEC consistently and cateogircally lumps Mr. Humphries in with other Defendants
 12 offering very little, if any specificity as to which statements can be linked directly to him. The
 13 SEC cites to one statement by Mr. Humphries, made in 2020, does not identify to whom the
 14 statement was made, nor state when or where in 2020 it was made Moreover, much like *Kameli*,
 15 the Complaint here encompasses an allegedly fraudulent scheme that spans five years, but offers
 16 no detail as to which purported representations the alleged fraud is derived from and fails to
 17 differentiate among Defendants sufficient to give Mr. Humphries fair notice of his individual role.

18 The SEC has brought a sweeping fraud case, but not all persons who interacted with
 19 Beasley and Judd are responsible for their actions. The Court should require the SEC to be
 20 specific regarding Mr. Humphries. His assets have been frozen and his life has been turned upside
 21 down based these scant allegations. Rule 9(b) requires the SEC to describe in details how Mr.
 22 Humphries engaged in securities fraud. The SEC has failed to do so. The Complaint should be
 23 dismissed, and the SEC given leave to replead the case against Mr. Humphries or dismiss him
 24 from the case because they lack the ability to do so.

25 **B. The SEC's Non-Scienter Based-Claims Should Also be Dismissed**

26 The SEC asserts claims pursuant to Sections 5(a) and (c) of the Securities Act [15 U.S.C.
 27 § 77e(a) and (c)] of the Securities Act (Count 1); and Violations of Sections 15(a)(1) of the
 28 Exchange Act [15 U.S.C. § 78o(a)(1)] (Count 4), which do not require scienter. Rule 9(b) still

1 applies to these claims. “The majority of circuits have held that Rule 9(b) applies to claims under
2 the Securities Act … if they ‘sound in fraud,’ even if a plaintiff need only allege negligence to
3 state a claim.” *S.E.C. v. RPM Int’l, Inc.*, 282 F. Supp. 3d 1, 12-13 (D.D.C. Sept. 29, 2017) (citing
4 in relevant part to *In re Stac Elecs. Secs. Litig.*, 89 F.3d 1399, 1404-05 (9 thCir. 1996)(noting the
5 9th Circuit is among the majority of courts finding the particularity requirements of 9(b) applies
6 even to negligent securities acts claims where the action is grounded in fraud). In *RPM*, the court
7 concluded that the SEC was required to meet Rule 9(b)’s heightened pleading standards in
8 connection with its Section 17(a)(2) and 17(a)(3) because “[t]he gravamen of the SEC’s action
9 under Section 17 here is fraud....” *Id.* at 13; *see also S.E.C. v. Szstrom*, No. 3:21-cv-00086, 2021
10 WL 1889758, at *3 (S.D. Cal. May 11, 2021) (analyzing defendant’s motion to dismiss SEC’s
11 complaint alleging violations of Section 206(2) of the Advisers Act under Rule 9(b)).

12 Here, there is no question that the SEC’s claims sound in fraud. The SEC’s theory rests
13 entirely on its claims that Defendants engaged in a fraudulent Ponzi Scheme. Compl. at ¶¶ 1-5.
14 Indeed, the SEC repeatedly accuses Defendants of engaging in a “fraudulent” scheme or conduct.
15 *See generally* Compl. Because the entirety of the SEC’s action is based on the purported
16 fraudulent Ponzi Scheme, each of its claims must be plead with particularity, which is lacking as
17 to Mr. Humphries. Accordingly, the Complaint must be dismissed as to Mr. Humphries and
18 Relief Defendant CJ Investments, LLC.

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1 **C. Conclusion**

2 In light of the foregoing facts, law and analysis, this Court should find the SEC has failed
3 to plead its fraud based claims as to Mr. Humphries with the particularity required under Rule
4 9(b). Accordingly, the Complaint should be dismissed as to Mr. Humphries and Relief Defendant
5 CJ Investments LLC.

6 Dated this 24th day of June, 2022.

7 CHRISTIANSEN TRIAL LAWYERS

8 By 
9 PETER S. CHRISTIANSEN, ESQ.
10 KENDELEE L. WORKS, ESQ.
11 KEELY A. PERDUE, ESQ.
12 *Attorneys for Defendant*
13 *Christopher R. Humphries and Relief*
14 *Defendant CJ Investments, LLC*



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CERTIFICATE OF SERVICE

Pursuant to FRCP 5 and LR-5.1, I certify that I am an employee of CHRISTIANSEN TRIAL LAWYERS, and that on this 24th day of June, 2022, I caused the foregoing document entitled **DEFENDANT CHRISTOPHER HUMPHRIES AND RELIEF DEFENDANT CJ INVESTMENTS, LLC'S MOTION TO DISMISS THE SECURITIES AND EXCHANGE COMMISSION'S COMPLAINT** to be filed and served via the Court's CM/ECF electronic filing system upon all registered parties and their counsel.

An employee of Christiansen Trial Lawyers

